

# **Guildford Borough Council**

Report to: Executive committee

Date: 22 February 2024

Ward(s) affected: Clandon and Horsley

Report of Director: Strategic Director – Place, Dawn Hudd

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Report Status: Part Exempt

## **Freehold Disposal of Old Manor House, East Horsley**

### **1. Executive Summary**

Old Manor House comprises a large, detached Grade II Listed building providing eight residential flats that were previously leased to persons of state pensionable age that are now vacant. The building is unoccupied and requires complete refurbishment and modernisation including fabric replacement and renewal. Occupation of the property is not possible in its current condition therefore the property would need to remain vacant in the absence of any refurbishment or upgrade works.

The capital cost to refurbish the property to bring it into occupational use for housing is significant which is further exacerbated by the necessary reconfiguration of the existing internal layout and the energy performance upgrades required. In view of the financial impact to the Council, both Housing services and the Housing Revenue Account (HRA) have determined it is not suitable for development and they do not require the property to support their

service. The property is therefore considered surplus to Council requirements and alternative options for property have been explored. On review of the options available, officers recommend the Council proceeds with a freehold disposal of the property on the open market.

## **2. Recommendation to Executive**

That the Executive authorises the Executive Head for Assets and Property to auction sale the property or negotiate terms for a disposal at best consideration on the open market via private treaty, and to enter into all relevant legal documentation required to complete the transaction of the Council owned land comprising Old Manor House in return for a capital receipt.

## **3. Reason(s) for Recommendation**

- 3.1 To generate a capital receipt and remove void property costs from future revenue budgets.
- 3.2 The property requires complete refurbishment and modernisation, the value of which may depreciate further as it continues to fall into disrepair. A disposal in its current condition prevents both value depreciation and the need to undertake any revenue or capital works requiring significant expenditure.
- 3.3 The site is not considered appropriate for use by other Council services and the property is therefore considered surplus to requirements.

## **4. Exemption from publication**

Yes, part of the report (Appendix 1 – Independent External Valuation, Appendix 2 – Annual Costs, and Appendix 4 – Estimated Renovation Costs).

(a) The content is to be treated as exempt from the Access to Information publication rules because it contains information relating to the financial or business affairs of any person and information which is subject to legal professional privilege and is therefore exempt by virtue of paragraphs 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972 as follows:

“3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)”.

“5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.”

(b) The content is restricted to all councillors.

(c) The exempt information is not expected to be made public.

(d) The decision to maintain the exemption may be challenged by any person at the point at which the Executive is invited to pass a resolution to exclude the public from the meeting to consider the exempt information.

## **5. Purpose of Report**

The purpose of this report is to seek Executive approval to authorise the Executive Head for Assets and Property to auction sale the property or negotiate terms for a disposal at best consideration on the open market via private treaty, and to enter into all relevant legal documentation required to complete the transaction of the Council owned land comprising Old Manor House in return for a capital receipt.

## **6. Strategic Priorities**

A freehold disposal of the property will generate a capital receipt at best consideration for the General Fund. Asset Disposals are defined as a critical workstream within the Financial Recovery Plan endorsed by Full Council at its meeting on the 30 August 2023. A disposal would bring a depreciating property back into use and deliver a corporate priority of providing and facilitating housing.

## **7. Background**

- 7.1 Old Manor House was built in circa 1800 and rebuilt in 1868 by the Lovelace Estate. The house includes a private car park and block of four garages. The property is located at the junction of Ockham Road South and Martins Close in the village of East Horsley. Guildford town centre is approximately six miles away.
- 7.2 H.M Land Registry lists Old Manor House on a Freehold Title by the Council under Title SY404679. The Ordnance Survey extract within Appendix 1 shows the total extent of the Freehold Title which extends to approximately 0.656 acres. The property is a Listed building under List Entry number 1029419 and the wall to the front of the Manor House is also Listed under List Entry number 1188222.
- 7.3 Its Grade II Listed status means there are planning restrictions and no alternative planning uses beyond residential. It also means there is a requirement for the property to be properly maintained to prevent a Repairs Notice being served on the Council by Historic England. Such notices are normally served under Section 54 of the Planning (Listed Building and Conservation Areas) Act 1990 which enables Local Authorities to secure any works that are urgent and necessary for the preservation of a Listed Building in the area.
- 7.4 There are no recent or outstanding planning applications relating to the property. The property is within the Green Belt, a Conservation Area, and an Area of High Archaeological Potential. The report has

considered section 52 of Planning (Listed Buildings and Conservation Areas) Act 1990 and Section 72 of the Act.

- 7.5 The property is built of brick and flint elevations, timber casement windows and a pitched slate roof. It is arranged as eight self-contained apartments with a communal entrance and sitting room. Each of the eight flats were held under long leasehold interests at various start dates for 125 years. The leases were subject to an occupancy restriction with the lessees required to be of state pensionable age, ideally 60 years or over. The Council has since bought the leases back and now has vacant possession of the property.
- 7.6 The property is currently vacant and officers note there is a potential security and health and safety risk of trespassers or other incursions such as squatters. The insurance premium payable by the Council reflects the current vulnerability of the site. The Council incurs additional void property costs including regular grounds maintenance works and security patrols to monitor any incursions onto the land.
- 7.7 Officers have inspected the property numerous times over the last 12 months and noted extensive damp penetration causing fungal spread across the entire ground floor including in walls, ceilings, floors, the communal staircase and stairwell leading to the first floor. The property is also in need of complete rewiring, replumbing, roof works, internal and external joinery, new floorboards, replastering and new ceilings. Photos evidencing the current condition are provided in Appendix 3.
- 7.8 Occupation of the property is not possible in its current condition and the property would need to remain vacant in the absence of any refurbishment or upgrade works. Complete refurbishment and modernisation are required to put the property into a habitable state of repair and the estimated expenditure to update the property is in Appendix 4.

- 7.9 The units do not meet the national space standards (NSS) therefore it is unlikely the eight flats would remain in their current form in any redevelopment proposal due to the limited space within the existing internal configuration. The eight dwellings would need to be reconfigured into fewer, larger units. Housing services do not recommend development or use by the HRA due to the renovation and reconfiguration costs.
- 7.10 Due to its Listed status, there is an opportunity for the freeholder of the property to apply for grant funding from Historic England to contribute towards the refurbishment costs or towards demolition of the existing garages and construction of an additional wing. This option would be subject to gaining satisfactory Planning and Listed Building Consent. The Council examined this option in 2017 and ascertained that whilst redevelopment may be possible with vacant possession, its Grade II Listed status and situation within a Conservation area and Green Belt may limit its redevelopment potential.

## 8. Options Considered

The options available to the Council are:

- 8.1 **Do nothing** – where the Council retains the land and property as is. If the council were to continue doing nothing, the value of the site may depreciate as it continues to fall into disrepair. This may generate negative public perception in a challenging financial environment. The Council would continue to incur revenue costs including council tax and security patrols at an average yearly cost of £24,000 as set out in paragraph 11.1. This option is not recommended.
- 8.2 **Sell the eight flats in their current condition on age-restricted long leases** – the Council has worked over many years to acquire the eight long leases in order to gain vacant possession of the building. Vacant possession allows the Council to either sell the property in its entirety or redevelop the site itself. It would therefore not be prudent to put the Council back in its former, restricted position. Furthermore, the

Council can only sell the leases to persons of state pensionable age which reduces the sale value of those leases by 50% to reflect the limited market audience. Lastly, a purchaser would reflect the significant works required to bring the units back into a habitable state of repair in the purchase price. The total value of disposing of the long leases is therefore far less than the disposal value of the building in its entirety with vacant possession. This option is not recommended.

- 8.3 **Transfer the asset to the HRA** – The property has been managed and used by Housing for many years. When vacant possession for the property was achieved. The HRA has reviewed and assessed the property and has deemed it unsuitable for HRA accommodation. The current condition of the property, costs to undertake the renovation, internal layout, size of the units do not meet National Space Standards (NSS), Energy Performance Rating (EPC) and ongoing maintenance and repair costs do not make the property viable for the HRA and its ongoing housing programme. This option is not recommended.
- 8.4 **Submit a planning application and develop the site** – Due to nature of the property (Grade II Listed status, disrepair and area of archaeological potential), lack of funding currently available, lengthy planning process and lack of internal resources within Guildford Borough Council, the site is not considered suitable for development by the General Fund. This option is not recommended.
- 8.5 **Sell the asset in its current condition** – A disposal would generate a capital receipt to contribute towards the £50 million of capital receipts required by March 2027 as set out in the Council’s Financial Recovery Plan. The estimated sales value is located at Appendix 1 – Independent Valuation Report. Furthermore, a disposal will save future void property costs and officers recommend a sale at the earliest possible opportunity to prevent the Council incurring unnecessary revenue expenditure to manage incursions and

squatters and prior to the winter months when the property will be at greater risk of further deterioration. This option is recommended.

- 8.6 Officers have considered the route to market for a disposal. Options include by private treaty, by auction, or to a Heritage or specialist archaeological organisation. External advisors believe there is a strong possibility the asset sale will create interest from builders, speculators and developers. The competition created should force a premium price to be paid and will ensure the building is redeveloped and brought back into residential use. The preservation and reinstatement of the property provides social and cultural benefits within the local community. Officers therefore recommend the route to market be by private treaty or auction.
- 8.7 The sale will require prospective purchasers to bid and purchase the property in its current condition and status without the benefit of planning consent. A developer is likely to acquire the property and undertake the necessary refurbishment, repairs and modernisation to return the property into a habitable state to provide three or four luxury bespoke apartments.

## **9. Consultations**

- 9.1 The Lead Councillor for Assets and Property, Councillor Richard Lucas was consulted and supports the officer recommendations laid out in this report.
- 9.2 Ward Councillors were consulted who noted the difficult decision the Executive needs to make between disposal for a capital receipt and the risks associated with continuing ownership of the land. Concerns were also raised over continuing public use and the Council's liability under the Occupiers' Liability Act 1957.



## **10. Key Risks**

- 10.1 The general condition of the property is a liability. The building requires fabric replacement and renewal to the windows, external doors and roof. The property requires complete refurbishment and modernisation to put it into a habitable state of repair for occupational use. The value of the site may depreciate further as the site continues to fall into disrepair due to water ingress and damp penetration.
- 10.2 There is a risk of incursions and squatters entering the building which could result in the Council incurring higher insurance premiums. The Council currently maintains the land and conducts regular grounds maintenance works and security checks to ensure there are no incursions. The Council will remain responsible for maintenance, Council Tax, insurance premiums and other statutory requirements whilst freeholder of the building.
- 10.3 The property is Grade II Listed which means the Council is obliged to ensure it is properly maintained. If it is not, the Council risks a Repairs Notice being served by Historic England. Its Listed status means there are greater planning restrictions and no alternative planning use beyond residential.

## **11. Financial Implications**

- 11.1 Old Manor House is held in the General Fund. In its existing use, the 2018/19 book valuation of the property was £1.87 million. The property is vacant therefore the Council incurs ongoing void property costs without receiving an income. The operational costs to own and manage the property are set out in the table below. The Council would save these costs every year if it were to sell the property.

<b>Expenditure</b>	<b>Actual 2022/23 (£)</b>	<b>Actual 2023/24 to date (£)</b>
Asset maintenance	40	240
Utilities	2,410	850
Council Tax	27,980	15,777
Cleaning	660	130
<b>TOTAL</b>	<b>31,090</b>	<b>16,997</b>

- 11.2 The general condition of the building is a liability and there is an elevated risk of squatters and higher insurance premiums. There may be future costs associated with unauthorised encampments, squatters and fly tipping. The value of the site may depreciate as the site continues to fall into further disrepair leading to a decline in value.
- 11.3 The July Council General Fund Budget update report explained that the Council's ambitious capital programme had resulted in a significant need for the Council to provide for a debt repayment programme. The July report stated that the Council's debt must be reduced to achieve a sustainable financial position and that this could be supported through the sale of assets. Asset Disposals are a critical workstream within the Financial Recovery Plan endorsed by Full Council at its meeting of 30 August 2023. As part of the Financial Recovery Plan, there is a target to sell £50 million of General Fund property assets. The net proceeds from the sale of Old Manor House will be a General Fund capital receipt which will offset the Council's underlying need to borrow, thereby contributing to a reduction in Minimum Revenue Provision (MRP) and debt interest charges.
- 11.4 Terms for a sale are not agreed and therefore any final purchase price will be subject to negotiations and subject to contract.

## **12. Legal Implications**

- 12.1 The land forms part of the Green Belt; development restrictions relating to Green Belt land will continue to apply which may affect

the market value. Officers considered the Green Belt (London and Home Counties) Act 1938 which would require consent from the Secretary of State to dispose of the land. However, a 1971 conveyance shows that the land came into the Council's possession from Surrey County Council under the Town and Country Planning Act 1959. Therefore, Secretary of State consent is not required to dispose of the land. There are no restrictions to disposal in the 1971 transfer from Surrey County Council to Guildford Borough Council.

- 12.2 A deed of grant affects the property which gives an electricity company the right to lay wires under the land. There is no provision that could require the company to move these wires and therefore any relocation of the wires would require consent from the company. This would not prevent disposal but may affect the market value of the land.
- 12.3 Part of the land has been appropriated as open space under the Open Spaces Act 1906 by a memorandum dated 5 February 1999. Section 123 (2A) of the Local Government Act 1972 should be followed to dispose of this part of the land which requires the Council to publish a notice of the intention to dispose of the land for at least two consecutive weeks and consider any objections that have been made. A failure to comply with these requirements could lead to a legal challenge.
- 12.4 Part of the land has been adopted as public highways and will therefore be excluded from the sale.
- 12.5 Best value need not be limited to financial consideration but the need to consider securing social, economic, or cultural benefits for the community, as outlined in paragraph 8.6.
- 12.6 The report refers to Section 52 of Planning (Listed Buildings and Conservation Areas) Act 1990 but considering the nature of the property, Section 72 of the Act should also be mentioned, which again requires a balancing of the financial benefits with the heritage nature of the asset.

### **13. Human Resource Implications**

Lead Specialist for Human Resources, Francesca Chapman was consulted and confirmed there would be no Human Resources implications.

### **14. Equality and Diversity Implications**

Lead Specialist for Human Resources, Francesca Chapman was consulted and confirmed there would be no Equality and Diversity implications.

### **15. Climate Change/Sustainability Implications**

Any future planning consents for development will reflect current policies in this regard and dictate the outcomes.

### **16. Summary of Options**

The options available to the Council are:

- 16.1 **Do nothing** – the Council retains the land and property in its current state. The Council will continue to incur revenue costs associated with owning and managing a large vacant property. The value of the site may depreciate as it continues to fall into disrepair.
- 16.2 **Sell the long leases** – the Council sells the eight flats individually on eight long leases for 125 years to persons of state pensionable age at 50% less than the market value plus a further reduction to reflect the inhabitable state of repair.
- 16.3 **Transfer the asset to the HRA** – for use within the HRA housing programme. The HRA has reviewed and assessed the property and has deemed it unsuitable for HRA accommodation. The associated costs to undertake the renovation, internal reconfiguration and

energy performance upgrades do not make the property viable for the HRA and its ongoing housing programme.

- 16.4 **Submit a planning application, develop the site and sell** – Due to a lack of internal resource and the lengthy planning application process due to its Grade II Listed status, the site is not considered suitable for development by the General Fund. Furthermore, the General Fund is not in a financial position to undertake a redevelopment to put the property into a habitable state of repair for occupational use.
- 16.5 **Sell the asset in its current condition** – A disposal via private treaty or auction would generate a capital receipt to contribute towards the £50 million of capital receipts required by March 2027 as set out in the Council’s Financial Recovery Plan. Furthermore, a disposal will save future void property costs. This option is recommended.

## 17. **Conclusion**

Old Manor House is surplus to both the General Fund and the HRA. The property does not support the delivery of housing nor the Council’s Corporate Plan.

The property continues to decay and depreciate alongside rising maintenance costs and Council Tax charges. There is a risk that Heritage England could serve a Repairs Notice on the Council. The remediation, renovation, energy upgrades and internal reconfiguration works are cost prohibitive, whilst a lengthy and costly planning application process for redevelopment is resource intensive and unviable.

The Council is required to generate £50 million of capital receipts from the sale of General Fund property assets as set out in the Financial Recovery Plan. The Council has an opportunity to realise a significant capital receipt to contribute towards the Council’s Financial Recovery Plan.

The recommendation to Executive is to dispose of the property to generate a significant capital receipt and save on future ongoing revenue costs. A disposal would bring a depreciating asset back into use and deliver the Council's corporate priorities by providing and facilitating housing, subject to the necessary planning consents. Disposal of the freehold interest should be via the open market by way of private treaty or auction sale.

**18. Background Papers**

None.

**19. Appendices**

Appendix 1 - Independent External Valuation (RESTRICTED)

Appendix 2 - Annual Costs (RESTRICTED)

Appendix 3 – Internal, External Photos and further property information. Site Visit in July 2023

Appendix 4 - Estimated Renovation Costs (RESTRICTED)